



NP – 344

VI Semester B.Com. Examination, July/August 2024
(NEP Scheme)
COMMERCE

Com 6.2 : Income Tax Law and Practice – II

Time : 2½ Hours

Max. Marks : 60

Instruction : Answer should be **completely in English or in Kannada.**

SECTION – A

1. Answer **any 6** of the following sub-questions. **Each** sub-question carries **2** marks. **(6×2=12)**
- Define profession.
 - What do you mean by cash system of accounting ?
 - What do you mean by Indexed Cost of Acquisition ?
 - Name any 4 incomes chargeable to tax under the head income from other sources.
 - What is a Capital Asset ?
 - Expand CBDT, CIT, ITO and PAN.
 - Mention any 4 admissible expenses while calculating income from business.
 - What is Tax-free Government Securities ?

SECTION – B

Answer **any 3** questions. **Each** question carries **4** marks. **(3×4=12)**

2. State the admissibility of the following expenses while computing profit and Gains of business.
- Sales tax paid during the year ₹ 30,000
 - Loss due to theft ₹ 3,00,000
 - Proprietor Salary ₹ 48,000
 - Gifts and presents to customers ₹ 25,000
 - Interest on capital ₹ 60,000
 - Life Insurance premium ₹ 40,000
 - Donation to political party ₹ 2,00,000
 - Laxmi Pooja expenses ₹ 20,000.

P.T.O.



3. From the following Profit and Loss A/c of Mr. Harish Bhat for the year ended 31-3-2023. Ascertain his taxable profit from business.

Profit and Loss A/c

Dr.	₹	Cr.	₹
Particulars		Particulars	
To Office Salary	45,600	By Gross Profit	3,74,650
To General Expenses	25,550	By Commission	12,500
To Bad Debts	21,000	By Discount	7,500
To Reserve for Bad Debts	35,000	By Sundry Receipts	21,000
To Fire Insurance Premium	18,000	By Rent of Building	65,000
To Advertisement	12,500	By Capital Gain	35,000
To Interest on Capital	13,500	By Winning from Lottery	
To Interest on Bank Loan	22,500	(net)	67,500
To Donation	21,000		
To Depreciation	16,000		
To Net Profit	3,52,500		
	5,83,150		5,83,150

The amount of depreciation allowable as IT Rules ₹ 18,000.

4. Mr. Rao sells agriculture land situated within the municipal limits of Bangalore for ₹ 80,00,000 and paid 2% commission on July 4, 2023. Which was purchased by him on March 1, 2007 for ₹ 15,00,000. On 15th March 2024, he purchases a rural agriculture land for ₹ 9,00,000.

Compute his income from Capital Gain for the A.Y. 2023-24 CII for years 2006 – 07 : 122 and 2022 – 23 : 331.

5. Compute Income from other source of Mr. Dhanush for the A.Y. 2023 – 24.
- a) Purchase of lottery tickets ₹ 2,500
 - b) Winning from lottery ₹ 84,000 after TDS of ₹ 36,000
 - c) Interest on fixed deposits ₹ 35,000 (Gross).
 - d) Family pension received ₹ 9,000 p.m.
 - e) Winning from card games ₹ 22,000.



6. From the following incomes of Dr. Ramya (Resident) for the P.Y. ended 31-3-2023. Compute her GTI for the A.Y. 2023-24.
- a) Income from house property (computed) ₹ 1,80,000
 - b) Directors fees ₹ 40,000
 - c) Winning from lottery (net) ₹ 1,05,000
 - d) Income from profession (computed) ₹ 3,85,000
 - e) Dividend from co-operative society ₹ 90,000
 - f) Long term capital gain ₹ 80,000.

SECTION – C

Answer **any 3** questions. **Each** question carries **12** marks.

(3×12=36)

7. The following is the Profit and Loss Account and additional information of Mr. Sudharshan for P.Y. 2022-23.

Profit and Loss Account for the year 31-3-2023

Particulars	₹	Particulars	₹
Opening stock	85,000	Sales	6,50,000
Purchases	2,40,000	Closing stock	1,10,000
Wages	18,000		
Freight	12,000		
Gross profit	4,05,000		
	7,60,000		7,60,000
Office expenses	18,000	Gross profit	4,05,000
Salaries	26,000	Dividend on shares (Gross)	12,000
Rent and taxes	16,000	Rent from house property	1,14,000
Income tax	18,000	Refund of IT	6,000
Household expenses	15,000	Interest on government	
Reserve for bad debts	8,000	Securities	1,10,000



Advertisement	15,000	Bad debts recovered	18,000
Donation	8,000	Profit on sale of machinery	1,90,000
Sales tax	20,000	Miscellaneous income	15,000
Provision for Income tax	18,000		
Carriage outwards	15,000		
Drawings	8,000		
General expenses	16,000		
Interest on capital	19,000		
Bad debts	8,000		
Repairs	8,500		
Taxes and insurance	5,500		
Car expenses	12,000		
Audit fees	12,500		
Depreciation	30,500		
Net profit	5,73,000		
	8,70,000		8,70,000

Additional information :

- i) Salaries include payment to a relative employee. Which is considered to be unreasonable upto ₹ 8,500.
- ii) Purchase include two payments ₹ 30,000 and ₹ 10,000 paid in cash to a supplier.
- iii) Opening stock is valued at 10% above cost and closing stock 10% above cost.
- iv) Allowable depreciation is ₹ 34,500.
- v) 60% of car expenses are for business purpose.
- vi) General expenses include ₹ 8,000 given to notified research institute for carrying on scientific research.

Compute Income from business of Mr. Sudharshan for A. Y. 2023 – 24.



8. Mr. Madan, a reputed lawyer of Bangalore. He has prepared the following Income and Expenditure Account for the year ended 31-3-2023.

Expenditures	₹	Income	₹
To Household expense	26,000	By Legal fees	2,86,000
To Office expenses	16,000	By Special Commission	5,600
To Charities	12,000	By Cash gift received from	
To Telephone expenses	9,000	clients	8,000
To Income tax	16,000	By House rent	85,000
To Rent	18,000	By Interest on government	
To Gift to daughter	8,000	securities	36,000
To Electricity charges	4,000	By Salary as part time lecture	
To Contribution to NDF	5,000	in Law College	32,000
To Contribution to PPF	5,600		
To Law books	8,000		
To Salaries	32,000		
To Purchase of motor car	1,50,000		
To Purchase of furniture	10,000		
To Life Insurance premium	12,000		
To Motor car expenses	15,000		
To Purchase of computer	40,000		
To Surplus	66,000		
	4,52,600		4,52,600

Following other particulars was received :

- He lives in one-half of the house and other half is used for office. Rent and electricity charges are in respect of this house.
- One-half of car expenses are for personal use.
- Depreciation motor car at 15% p.a. The computer at 40% p.a. Law books at 40% p.a. and furniture at 10% p.a.

Compute taxable income from profession for the A.Y. 2023 – 24.



9. From the following information of Mr. Mahesh. Compute his income from other sources for the A.Y. 2023 – 24.
- Royalty from text books ₹ 3,60,000 (Expenses incurred in earning royalty income ₹ 35,000).
 - Director sitting fee received from X Co. ₹ 45,000.
 - He is residing in a rented house on rent of ₹ 45,000 p.m. He sublets 40% of the house to a subtenant on a rent of ₹ 35,000 p.m. He has incurred the following expenses on the entire property.
 - Municipal tax ₹ 15,000
 - Insurance ₹ 12,000
 - Repairs ₹ 18,000.
 - Rent from letting of building along with machinery ₹ 75,000 p.m. He claims following expenses :
 - Depreciation ₹ 55,000
 - Repairs ₹ 34,500
 - Income from agriculture in Rajasthan ₹ 4,56,000
 - Insurance commission received ₹ 95,000 (net) and expenses incurred earning insurance commission ₹ 17,500.
 - Winning from Karnataka State Lottery ₹ 5,00,000 (Gross).
 - Interest on bank deposit received ₹ 90,000 (net).
 - Share from HUF ₹ 1,80,000.
10. Mr. Manjappa sold some of his properties during the P.Y. 2022 – 23 is as under :
- Jewellery costing ₹ 4,00,000 was sold for ₹ 32,50,000 in May 2022 which was acquired in June 2015.



- b) Residential house at Mysore which was inherited by him in 1998. Sold on 31-10-2022 for ₹ 45,00,000. FMV on 01-04-2001 ₹ 9,00,000. Cost of improvement made during the year 2014 – 15 ₹ 3,00,000. Expenses on transfer ₹ 60,000.
- c) House hold furniture costing ₹ 35,000 in 2012 – 13 was sold for ₹ 45,000 in March 2023.
- d) WDV of motor car on 1-4-2022 was ₹ 76,000 and was sold for ₹ 85,000 on 1-12-2022.
- e) Self cultivated land was compulsorily acquired under law for ₹ 24,00,000, 01-01-2022 and its cost in 2004 – 05 was ₹ 5,20,000.

Compute his total taxable capital gains for the A.Y. 2023 – 24.

[CII 2001 – 02 : 100, 2004 – 05 : 113, 2012 – 13 : 200, 2014 – 15 : 240, 2015 – 16 : 254, 2022 – 23 : 331].

11. From the following information of Mr. Vivek (Resident). Compute total income and taxability for the A.Y. 2023 – 24.

	₹
1) Rent from house property (Computed)	1,20,000
2) Income from business (Computed)	3,50,000
3) Income from salary (Computed)	5,10,000
4) Income from other sources	1,92,000
He makes payment towards :	
a) Life Insurance Premium	20,000
b) Donation to Prime Minister relief fund	18,000
c) Interest on education loan on his son	9,500
d) Medical insurance premium on his health	1,50,000